

Message Text

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PAGE 01 STATE 063962

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

C O N F I D E N T I A L STATE 063962

FOLLOWING SENT BONN INFO PARIS FROM SECSTATE WASHDC
20 MAR 75:

QUOTE C O N F I D E N T I A L STATE 063962

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: DEBT RESCHEDULING FORUMS

1. WE WOULD APPRECIATE THE EMBASSY'S MAKING THE FOLLOWING
POINTS TO THE ECONOMICS MINISTRY AND FOREIGN OFFICE
OFFICIALS CONCERNED WITH DEBT RESCHEDULING. THIS SHOULD
BE DONE, IF POSSIBLE, FRIDAY.

2. WE ARE DISTURBED BY THE COURSE OF THE PARIS CLUB'S
HANDLING OF THE GOVERNMENT OF CHILE'S REQUEST FOR A
RESCHEDULING AND BELIEVE THAT THIS RAISES QUESTIONS
AS TO WHETHER ALTERNATIVE INSTITUTIONAL ARRANGEMENTS WOULD
NOT BETTER SERVE CREDITOR INTERESTS. TWO POINTS IN
PARTICULAR STRIKE US AS INDICATING A TROUBLESOME DIRECTION
IN THE EVOLUTION OF THE PARIS CLUB. FIRST, SEVERAL
COUNTRIES HAVE INJECTED POLITICAL CONSIDERATIONS INTO THE
DISCUSSION OF A COUNTRY'S ELIGIBILITY FOR RESCHEDULING,
AND FRANCE HAS ALSO FELT OBLIGED TO ACT IN RESPONSE TO
POLITICAL CONSIDERATIONS. SECOND, FRANCE, AS CHAIRMAN,
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PAGE 02 STATE 063962

SEEMS TO REFLECT A CONCEPT OF THE CLUB AS ONE IN WHICH

THE RULE OF ONE-COUNTRY-ONE-VOTE APPLIES WITHOUT REGARD TO THE MAGNITUDE OF PAYMENTS DUE TO MAJOR CREDITORS.

3. WE ALSO NOTE THAT THE DEVELOPING COUNTRIES THEMSELVES, AS EVIDENCED IN THE CONSIDERATION OF THE UNCTAD EXPERT GROUP ON DEBT PROBLEMS OF DEVELOPING COUNTRIES, HAVE A VERY NEGATIVE IMAGE OF THE PARIS CLUB AS AN INSTRUMENT TO DEAL WITH DEBT SERVICING PROBLEMS OF SPECIFIC DEVELOPING COUNTRIES.

4. REGARDING THE SPECIFIC CASE OF CHILE, THE US HAS REQUESTED THAT THE GOVERNMENT OF FRANCE AS CHAIRMAN OF THE PARIS CLUB CONVENE A CREDITORS MEETING IN EARLY APRIL TO ACT ON THE GOVERNMENT OF CHILE'S REQUEST FOR DEBT RELIEF. WE ARE HOPEFUL THAT THE GOVERNMENT OF FRANCE WILL CONVENE THE CREDITORS IN APRIL, GIVEN THE FACT THAT CREDITORS REPRESENTING THE PREPONDERANT SHARE OF PAYMENTS DUE HAVE INDICATED THEIR WILLINGNESS TO ATTEND. PERHAPS A PRELIMINARY MEETING AMONG CREDITORS ONLY WOULD GIVE CREDITOR GOVERNMENTS AN OPPORTUNITY TO CONSIDER THE FUTURE OF THE PARIS CLUB AND WHETHER IT CONTINUES TO SERVE THEIR INTEREST IN DEALING QUIETLY AND ON THE BASIS OF ECONOMIC CONSIDERATIONS WITH DEVELOPING COUNTRY DEBT PROBLEMS. IF NOT, WE BELIEVE CREDITORS SHOULD TAKE UP THIS QUESTION SEPARATELY. WE BELIEVE THAT THE CREDITORS INTEREST IS IN GENERAL BEST SERVED BY MINIMIZING THE INJECTION OF POLITICAL FACTORS. OUR CHOICE ON APPROPRIATE DEBT RESCHEDULING FORUMS WOULD BE VERY MUCH INFLUENCED BY JUDGMENTS AS TO WHICH ALTERNATIVES WOULD BEST MEET THIS CRITERION.

5. SOME OF THE ALTERNATIVES WE HAVE BEGUN TO CONSIDER ARE THE FOLLOWING: (1) SEEKING A NEW HOST FOR THE CREDITOR CLUB PREFERABLY NOT A MEMBER OF THE EEC IN ORDER TO ASSURE THAT THE CHAIRMAN AS SUCH IS NOT SUBJECT TO ANY COMPLICATIONS DUE TO ANY PERCEIVED NEED FOR INFORMAL POLITICAL COORDINATION AMONG EC COUNTRIES. (2) AN EFFORT TO GET THE IMF TO ACT AS CHAIRMAN OF DEBT RESCHEDULING NEGOTIATIONS, AND (3) A COMPARABLE EFFORT REGARDING THE OECD SECRETARY GENERAL. WE WISH TO STRESS THAT WHILE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 063962

OUR THINKING IS INFLUENCED BY THE CHILE EXPERIENCE, OUR CONCERN IS WITH THE EFFECTIVENESS OF THE CREDITOR CLUB WITH REGARD TO DEVELOPING COUNTRIES' DEBT PROBLEMS IN GENERAL. SINCE OUR THINKING IS AT A VERY EARLY STAGE ON ALL OF THESE ISSUES, WE ARE NOT APPROACHING OTHER GOVERNMENTS AT THIS TIME. WE WOULD WELCOME THE REACTION OF THE FRG TO THESE CONSIDERATIONS AND WOULD BE INTERESTED IN ANY SUGGESTIONS WHICH THE FRG MAY HAVE. INGERSOLL UNQUOTE

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